

DW 01-081

PENNICHUCK WATER WORKS, INC.

Petition for Permanent and Temporary Rate Increase

Prehearing Conference Order

O R D E R N O. 23,748

July 30, 2001

APPEARANCES: McLane, Graf, Raulerson and Middleton by Steven V. Camerino, Esq. on behalf of Pennichuck Water Works, Inc. and Marcia A. B. Thunberg, Esq., on behalf of Staff of the New Hampshire Public Utilities Commission.

I. PROCEDURAL HISTORY AND BACKGROUND

Pennichuck Water Works, Inc. (Pennichuck or Company) filed with the New Hampshire Public Utilities Commission (Commission), on April 17, 2001, a notice of intent to file rate schedules. On June 8, 2001, Pennichuck filed a petition for an increase in permanent rates which would yield additional annual revenues of \$2,506,131, an increase of 20.09% to be effective on July 8, 2001. Accompanying that filing was a Petition for Temporary Rates in the amount of \$1,137,610 or 9.12% over current rates.

Pennichuck serves the southern New Hampshire area, operating a core system that serves Nashua, Amherst, Merrimack, and portions of Milford, Hollis and Bedford, as well as a number of independent community systems serving portions of Epping, Derry, Bedford, Milford, Plaistow, Newmarket, and Salem. Affiliated operations by Pennichuck East Utility and Pittsfield Aqueduct Company

covering the towns of Londonderry, Litchfield, Hooksett, Sandown, Atkinson, Pittsfield and Raymond are not part of the rate filing in this docket.

By Commission Order No. 23,736 (June 29, 2001), a Prehearing Conference was held on July 12, 2001 and a hearing on Pennichuck's request for temporary rates was scheduled for July 31, 2001. The Commission received no petitions to intervene. A technical session was held after the Prehearing Conference. On July 13, 2001, Staff, with Pennichuck's concurrence, submitted a proposed procedural schedule.

II. POSITIONS OF THE PARTIES AND STAFF

A. Pennichuck

Pennichuck asserts that the increase in revenues is required because it is not earning a return adequate to cover its cost of capital or a reasonable return on the actual cost of its property used and useful in the public service. The Petitioner contends that its overall rate of return was 7.08% for the test year ending December 31, 2000, which is 126 basis points below the Petitioner's currently allowed rate of return. Other factors supporting the rate increase include rate base additions, labor expense increases and operation and maintenance expense increases. In support of its petition for a rate increase, the Company submitted documentation and financial data, prior to the Prehearing Conference,

responsive to Admin. Rule Puc 1604.01.

B. Staff

Staff did not take a position regarding the Company's proposed return on equity. Staff noted the Company had not yet filed its Cost of Service study. Staff indicated that it was likely to oppose the Company's request to include rate base additions subsequent to the test year as well as the Company's request to include step increases to include future rate base additions. Staff further indicated that it would likely recommend a temporary rate increase of 6.45% rather than the Company's proposed 9.12% temporary rate increase, largely due to the use of *pro forma* adjustments in the Company's request and the lack of time for Staff to review those adjustments. The 6.45% figure represents the actual revenue deficiency as shown on Schedule A, Exhibit A, "Pennichuck Water Works- Computation of Revenue Deficiency-Temporary Rates."

III. PROCEDURAL SCHEDULE

The parties proposed the following procedural schedule:

August 15, 2001	Technical Session, 9 a.m.
August 24, 2001	Data Requests, First Set, to PWW
September 7, 2001	Data Responses Due From PWW
September 21, 2001	Data Requests, Second Set, to PWW
October 5, 2001	Data Responses Due From PWW
November 16, 2001	Staff Testimony Due
November 28, 2001	Settlement Discussions at PUC
November 30, 2001	Data Requests Due to Staff
December 14, 2001	Data Responses Due from Staff
December 17, 2001	Settlement Discussions at PUC
December 21, 2001	Rebuttal Testimony Due from PWW
February 4,5,& 6, 2002	Hearing on PWW Rate Case

IV. COMMISSION ANALYSIS

Upon consideration, we find the proposed procedural schedule is reasonable and will, therefore, approve it for the duration of the proceeding.

Based on the foregoing, it is hereby

ORDERED, that the procedural schedule outlined above is approved and shall govern the remainder of this proceeding.

By order of the Public Utilities Commission of New
Hampshire this thirtieth day of July, 2001.

Douglas L. Patch
Chairman

Susan S. Geiger
Commissioner

Nancy Brockway
Commissioner

Attested by:

Thomas B. Getz
Executive Director and Secretary

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